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IRPAC Releases Information Reporting Recommendations

The Information Reporting Program Advisory Committee (IRPAC) has issued its annual report (<https://www.irs.gov/tax-professionals/2016-irpac-public-report>) for 2016 to the IRS on new and continuing information reporting issues. The report includes recommendations involving the penalty abatement process, Form W-9, Request for Taxpayer Identification Number and Certification, and the use of Frequently Asked Questions on the IRS website. It also identifies emerging compliance issues.

Under the category of General Recommendations, IRPAC suggests the following:

- Notice 972CG penalty abatement process. Section 6721 imposes a penalty for filing an information return with a missing or incorrect taxpayer identification numbers (TIN), on incorrect media, or in an incorrect format, or failing to file by the required filing date. However, the penalty may be waived if it is shown that the errors were due to reasonable cause and not willful neglect. The filer is notified of any proposed Section 6721 penalties on Notice 972CG, Notice of Proposed Civil Penalty, which contains a list of the information returns filed with missing or incorrect name/TIN combinations. (Section references are to the Internal Revenue Code of 1986, as amended.) To minimize the burden on taxpayers and the IRS, IRPAC recommends that the IRS take suitable action to rectify systemic issues that prevent Notice 972CG penalty abatement requests from being judged properly and addressed in a timely manner. In addition, until then, the IRS should temporarily suspend the assessment of further Notice 972CG proposed penalties for information returns showing mismatched name and TIN and for which presubmission TIN/name matching is not permitted.
- Form W-9 IRPAC recommends continued improvements to both simplify and bring clarity to Form W-9 (Request for Taxpayer Identification Number and Certification). Specifically, IRPAC recommends that the fourth certification of Form W-9, Part II (regarding the FATCA code) be removed. If this recommendation is not adopted, IRPAC recommends that the IRS issue guidance specifying that, for accounts maintained in the U.S., substitute versions of Form W-9 are not required to include this certification. In addition, IRPAC recommends the Instructions for the Requester of Form W-9 be modified to clarify that the exempt payee code and the exemption from FATCA reporting code are not required fields and do not affect the validity of the form for purposes of withholding.
- Improving Frequently Asked Questions (FAQs). IRPAC recommends that the IRS implement a process to archive past FAQs so that payors who rely on an FAQ in filing information returns can later demonstrate the basis for the position taken. In addition, where practical, IRPAC recommends that the IRS enunciate the reasons supporting any changes to or deletions of prior FAQs to enhance transparency.



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IRS Announces Retirement Plan Dollar Limits for 2017

The IRS has announced (see IR-2016-141, <https://www.irs.gov/uac/newsroom/irs-announces-2017-pension-plan-limitations-401k-contribution-limit-remains-unchanged-at-18000-for-2017>, and Notice 2016-62, 2016-46 IRB, <https://www.irs.gov/pub/irs-drop/n-16-62.pdf>) the 2017 cost-of-living adjustments (COLAs) for retirement plans. Many of

the limits pertaining to pension and other retirement plans, which are adjusted by reference to Section 415(d), are changed for 2017 since the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment. However, other limits remain unchanged. Certain dollar limit changes tied to Section 1(f)(3) have also increased.

IRS Reminds Taxpayers of New W-2 Filing Deadline

The IRS has reminded (IR-2016-143, <https://www.irs.gov/uac/newsroom/reminder-employers-face-new-jan-31-w2-filing-deadline-some-refunds-delayed-until-feb-15>) employers and small businesses of a new Jan. 31 filing deadline for Forms W-2 and reminded taxpayers that refunds on tax returns claiming specified refundable tax credits will be held until at least Feb. 15.

TIGTA Finds \$9 Billion in Backup Withholding Not Withheld

The Treasury Inspector General for Tax Administration (TIGTA) has issued a report (<https://www.treasury.gov/tigta/auditreports/2016reports/201640078fr.pdf>) saying that, although the majority of information returns are submitted by payers with valid TINs, nearly \$9 billion in backup withholding tax was not withheld by payers submitting Tax Year 2013 information returns with missing or incorrect TINs.

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